

## Message Text

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ACTION EB-08

INFO OCT-01 ARA-14 EUR-12 ISO-00 CAB-05 CIAE-00  
COME-00 DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 L-03  
/050 W

-----039996 090140Z /64

R 082201Z AUG 77

FM AMEMBASSY PANAMA  
TO SECSTATE WASHDC 3086  
INFO USSOUTHCOM  
PANCANAL  
AMEMBASSY MADRID

UNCLAS PANAMA 5650

EO 11652: N/A

TAGS: EAIR, EFIN, PN, SP

SUBJECT: SPANISH AIRLINE FILES SUIT AGAINST AIR PANAMA FOR NON-  
PAYMENT OF DEBTS

1. ACCORDING TO LOCAL PRESS REPORTS, THE SPANISH AIRLINE  
IBERIA LAST WEEK FILED SUIT AGAINST AIR PANAMA, S.A. FOR  
"OVER \$11 MILLION." IBERIA BROUGHT THE CASE TO THE FOURTH  
CIRCUIT COURT, SEEKING AN ATTACHMENT ON VARIOUS PHYSICAL  
ASSETS OF AIR PANAMA, INCLUDING THREE BOEING 727'S.

2. EVIDENCE PRESENTED SHOWED HOW WITH THE APPROVAL OF BOTH  
GOVERNMENTS IN QUESTION IBERIA HAD MADE LOANS TO AIR PANAMA  
AND HAD ASSUMED OTHER COSTS ON HER BEHALF, WITH AIR PANAMA'S  
PHYSICAL ASSETS AS COLLATERAL. SPECIFICALLY, IBERIA CITED  
NON-PAYMENT ON THE PART OF AIR PANAMA OF \$5,515,746 IN  
GUARANTEES COVERED BY IBERIA, \$324,353 WHICH IBERIA HAD PAID  
TO AIR PANAMA CREDITORS, AND \$1,252,156 DUE FOR TECHNICAL  
ASSISTANCE. IBERIA'S PLEA ASKED THE COURT TO CONFINE THE  
AIRPLANES TO THE AREA OF TOCUMEN AIRPORT IN PANAMA.

3. AIR PANAMA AUTHORITIES PROMPTLY ASSURED THE PUBLIC  
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THAT AIR PANAMA SERVICES WOULD CONTINUE AS SCHEDULED IN  
SPITE OF THE IBERIA SUIT, AND AN EDITORIAL BY LUIS  
RESTREPO IN THE GOP-ORIENTED DAILY MATUTINO AUGUST 8  
CALMLY EXPLAINED TO READERS THAT IT IS NOT UNCOMMON  
FOR EVEN THE FINEST AIRLINES TO SUFFER FINANCIAL DIFFI-  
CULTIES AT TIMES--CITING SUCH CASES IN THE U.S. AND  
MAJOR EUROPEAN COUNTRIES. THE EDITORIAL STRESSED THAT

IT WAS NORMAL FOR A GOVERNMENT TO TAKE ACTION TO PROVIDE FINANCIAL SUPPORT TO THE AIRLINE IN CASES SUCH AS THIS, PARTICULARLY BECAUSE OF THE NATIONAL PRESTIGE AND THE IMPORTANCE OF THE SERVICE RENDERED. THE ARTICLE WARNED THAT THE COURT SHOULD PROCEED MOST CAUTIOUSLY IN CASES LIKE THIS, AND THAT NO SUCH DRASTIC MEASURE AS THAT SOUGHT BY IBERIA SHOULD BE APPLIED WITHOUT THE MOST EXHAUSTIVE STUDIES OF ALL SIDES OF THE PROBLEM, INCLUDING TESTIMONY FROM ALL PERSONS INVOLVED; TOP-LEVEL MANAGEMENT AND OWNERSHIP OF IBERIA SHOULD BE REQUIRED TO APPEAR IN THE PANAMANIAN COURTS TO CONFIRM THE CHARGES.

JORDEN

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Review Markings:**  
Margaret P. Grafeld  
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